July 31, 2026

Hardcastle Restaurants Private Limited: Ratings reaffirmed for bank facilities; Issuer rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator
Issuer Ratings	-	-	[ICRA]AA- (Stable); reaffirmed and withdrawn	-$
Short-term - fund based – working capital facilities	300.0	300.0	[ICRA]A1+; reaffirmed	RBI#
Long-term –Interchangeable	(20.0)	(20.0)	[ICRA]AA- (Stable); reaffirmed	RBI#
Short-term – Interchangeable	(15.0)	(15.0)	[ICRA]A1+; reaffirmed	RBI#
Total	**300.0**	**300.0**		

**Instrument details are provided in Annexure I*

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

$ Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Rationale

The ratings continue to factor in the established market position of Hardcastle Restaurants Pvt. Ltd. (HRPL), the master franchisee/licensee operator of McDonald's branded restaurants in West and South India, supported by the strong brand recognition of McDonald's and the company's long operating track record in the region since 1996. HRPL had a network of 478 stores across 78 cities as on March 31, 2026, which indicates its strong market presence and healthy scale of business. The ratings also consider the expectation of improvement in the company's financial profile over the near to medium term, aided by recovery in same-store sales, ramp-up of recently added stores and continued network expansion.

The revenue growth remained modest over the last two fiscals, at 4.2% in FY2025 and 5.4% in FY2026, despite sizeable store additions, owing to weak demand leading to negative same-store sales growth (SSSG) through most of the period. The weak operating environment was reflected in the full-year SSSG of -1.1% in FY2026, though the trend improved towards the end of the year with SSSG turning positive at 1.5% in Q4 FY2026. ICRA expects the improving SSSG trend to continue in the current fiscal, supported by recovery in discretionary consumption, traction in value-led offerings such as everyday value meals, better customer engagement initiatives, and early signs of improvement in select southern markets. The improved SSSG and store additions are likely to lead to a double-digit revenue growth for the company in FY2027. The operating margins declined over the past two years to 13.1% in FY2026 from 15.8% in FY2024 and are expected to improve in FY2027, supported by recovery in SSSG, better fixed-cost absorption, calibrated pricing actions and improved store-level operating efficiencies.

Over the near-to-medium term, the company is expected to accelerate store expansion with 110-120 additions expected by December 2027. ICRA understands that the company will largely fund the capex through internal accruals and has the flexibility to reconsider its store expansion programme based on future demand, to maintain the debt protection metrics. ICRA notes that HRPL generally enters long-term leases for its stores, which results in higher lease debt initially, affecting its debt metrics such as total debt/OPBITDA, but protects it from a sharp future rent increase, given the long period.

The ratings remain constrained by the vulnerability of the company's earnings to raw material price variation in an inflationary regime, exposure to changing consumer preferences, execution risk from aggressive expansion plans, and their corresponding impact on the return on capital employed (RoCE) due to under absorption of fixed costs as stabilisation of the new stores entails a gestation period. The ratings also consider that HRPL's business strength is completely reliant on McDonald's brand strength, and adherence to compliance norms laid out in the master franchise development agreement (MFDA) remains critical from the credit perspective. HRPL's profitability is also exposed to royalty payments to its principal. The ratings also consider increasing competition from players in the organised and unorganised markets.

ICRA has withdrawn the issuer rating assigned to HRPL at the request of the company and in accordance with ICRA's policy on withdrawal.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion of expected growth in the company's revenues and earnings in the near-to-medium term, supported by the likely improvement in consumption trends, continued store expansion plans, and HRPL's position as one of the most recognised burger brands with a wide range of offerings.

Key rating drivers and their description

Credit strengths

Strong brand presence with master franchise agreement with one of the world's largest QSR brands – HRPL holds the master franchise agreement with McDonald's Corporation, a leading global food service brand with more than 45,000 restaurants in 114 countries (as of December 2025). Leveraging the strength of the McDonald's brand, HRPL benefits from global best practices, robust supply-chain management ensuring consistent taste and quality across outlets, and the ability to attract customers through diverse product offerings, including brand extensions like McCafé, McBreakfast and McDelivery, etc, with an established network of stores and delivery partners.

Exclusive franchise to operate in West and South India – HRPL has the exclusive franchisee to operate the McDonald's chain of restaurants in western and southern India, establishing a dedicated geographical presence and limiting competition from other franchises of the same brand. As of March 2026, HRPL had a store count of 478 in West and South India. HRPL follows a stringent leasing model for its stores, driven by global directives, which include long leases of over 20-25 years, ensuring uninterrupted operations, coupled with favourable leasing conditions, given the long contractual period.

Credit challenges

Considerable planned capex over medium term to put pressure on RoCE – The company's operating margins moderated over the past two fiscals owing to negative SSSG, increased costs towards the new stores and inflationary pressure. Muted consumer demand and geopolitical issues limited the scale-up of operations and affected SSSG. The decline in margins and material capex affected the company's return indicators in the past two years. However, SSSG has shown signs of revival from Q4 FY2026 led by improved guest count momentum, traction in value-led offerings and early recovery in select southern markets, which is expected to continue in FY2027 and support margin expansion. While its margins are expected to improve going forward, the RoCE is likely to remain under pressure in the near term, given that the company has notable capex plans amid 110-120 planned store additions by December 2027. However, comfort is drawn from the company's flexibility to reconsider its store expansion programme based on future demand and evolving market dynamics. Therefore, going forward, HRPL's ability to ramp-up the scale of operations at new stores and improve its SSSG, will be critical for improvement in earnings and RoCE.

Compliance with terms and conditions as per MFDA remains critical – Given that HRPL's business strength is completely reliant on the McDonalds brand, adherence to the terms and conditions of the MFDA remains critical for the continuity of this brand strength. Under the MFDA with McDonald's Corporation, the company is also required to pay royalty as a percentage of its revenues. While the royalty was slated to increase to 5.5% from FY2027, as per revised terms, it is expected to remain at 5% till FY2029 and increase to 5.5% from FY2030. Any sharp rise in royalty payments that materially impact its margins and overall credit profile, will remain monitorable factor.

Intense competition from organised and unorganised players; operations exposed to inherent supply-chain risks – HRPL faces intense competition from unorganised as well as organised QSR players like Dominos, KFC and Burger King. The company's ability to sustain its growth and improve its profit margin amid intense competition will remain critical. Also, its sales are exposed to uncontrollable factors like disease outbreaks (Avian Influenza/bird flu), disruption in supply chain due to lower produce quality and changing consumer preferences. Nevertheless, HRPL's long-standing relationships with its vendors partly mitigate these risks.

Environmental and social risks

Environmental considerations: The QSR industry is exposed to environmental risk with respect to appropriate usage and disposal of plastics in packaging and waste management, among other factors. Any non-compliance with continuously evolving laws and regulations related to environmental protection could result in disruptions in business operations, increased costs, reputational damage, and potential loss of customer goodwill.

Social considerations: The QSR industry faces challenges from the healthy food alternatives in the market at present. Further, being a labour-intensive segment, shortage of skilled staff and high attrition can impact operations, food and services of the company, which can damage its reputation and customer base. HRPL conducts in-house learning and development programmes that are linked to career growth. In addition, the company prefers internal talent for new leadership positions, which incentivises the planning of long-term careers in the company. The industry is also exposed to significant risks related to the health and safety of customers. While these risks have not resulted in any material implication so far, any breach in food standards at its outlets could have cost implications for the company.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by a healthy buffer of over Rs. 370-375 crore in its working capital facilities, along with cash and bank balances of Rs. 37.8 crore and investment balances of Rs. 105.2 crore as on March 31, 2026. The company's retained cash flow is estimated at Rs. 260-270 crore in the next 12 months. HRPL has a lease obligation of Rs. 166 crore and external debt repayments of Rs. 16 crore. It plans to incur a sizeable capex of Rs. 260-270 crore in the next 12 months, which will be funded through internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade HRPL's long-term rating, if its earnings increase on the back of improved SSSG and healthy ramp-up of new stores added, leading to improvement in debt metrics as well as return indicators.

Negative factors – Any material decline in revenue growth, impacting the profitability and return indicators, can result in ratings downgrade. Any unanticipated debt-funded capex, which impacts the credit metrics, or weakens the liquidity profile on a sustained basis, will also be a negative rating trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy on withdrawal of credit ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Hardcastle Restaurants Pvt Ltd was established as a joint venture (JV) between BL Jatia family and McDonald's Corporation, USA in 1995. McDonald's Corporation exited the JV in 2011 after selling its 50% stake to BL Jatia family. After acquiring McDonald's 50% stake in Hardcastle Restaurants in 2010, the BL Jatia family transferred ownership of Hardcastle to Westlife Development Limited (now Westlife Foodworld Limited) through a reverse merger in 2013. This allowed Hardcastle Restaurants to transition from a joint venture to a developmental licensee (a form of master franchisee), giving it full operational and financial control over McDonald's outlets in western and southern India.

HRPL operates 478 McDonald’s restaurants across western and southern India as of March 2026 under a master franchisee arrangement with McDonald’s Corporation, USA. HRPL is 100% subsidiary of Westlife Foodworld Limited (WFL), a listed entity with the promoters holding a 56.39% stake as of June 2026. Westlife Foodworld, on a standalone basis, does not have any meaningful business nor does it have any other operational subsidiaries.

Key financial indicators

HRPL	FY2025	FY2026
Operating income	2,490.2	2,624.1
PAT	11.3	32.5
OPBDIT/OI	12.9%	13.1%
PAT/OI	0.5%	1.2%
Total outside liabilities/Tangible net worth (times)	3.4	3.6
Total debt/OPBDIT (times)	5.1	5.2
Interest coverage (times)	2.5	2.4

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	July 31, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund based – working capital facilities	Short-term	300.00	[ICRA]A1+	May 28, 2025	[ICRA]A1+	-	-	Mar 31, 2024	[ICRA]A1+
Interchangeable	Long-term	(20.00)	[ICRA]AA- (Stable)	May 28, 2025	[ICRA]AA- (Stable)	-	-	Mar 31, 2024	[ICRA]AA- (Stable)
Interchangeable	Short-term	(15.00)	[ICRA]A1+	May 28, 2025	[ICRA]A1+	-	-	Mar 31, 2024	[ICRA]A1+
Unallocated limits	Long-term/ Short-term	-	-	-	-	-	-	Mar 31, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+
Issuer ratings	Long-term	-	[ICRA]AA- (Stable); reaffirmed and Withdrawn	May 28, 2025	[ICRA]AA- (Stable)	-	-	Mar 31, 2024	[ICRA]AA- (Stable)
				-	-	-	-	Mar 05, 2024	[ICRA]AA- (Stable)
				-	-	-	-	Feb 20, 2024	[ICRA]AA- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Short-term – fund based – working capital facilities	Simple
Long-term – Interchangeable	Simple
Short-term – Interchangeable	Simple
Issuer ratings	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated in Rs. crore	Current rating and outlook	Financial Sector Regulator#
NA	**Short term – fund based – working capital facilities**	NA	NA	NA	300.00	[ICRA]A1+	RBI#
NA	**Long-term – Interchangeable**	NA	NA	NA	(20.00)	[ICRA]AA- (Stable)	RBI#
NA	**Short-term – Interchangeable**	NA	NA	NA	(15.00)	[ICRA]A1+	RBI#
NA	**Issuer Ratings**	NA	NA	NA	-	[ICRA]AA- (Stable); reaffirmed and withdrawn	-$

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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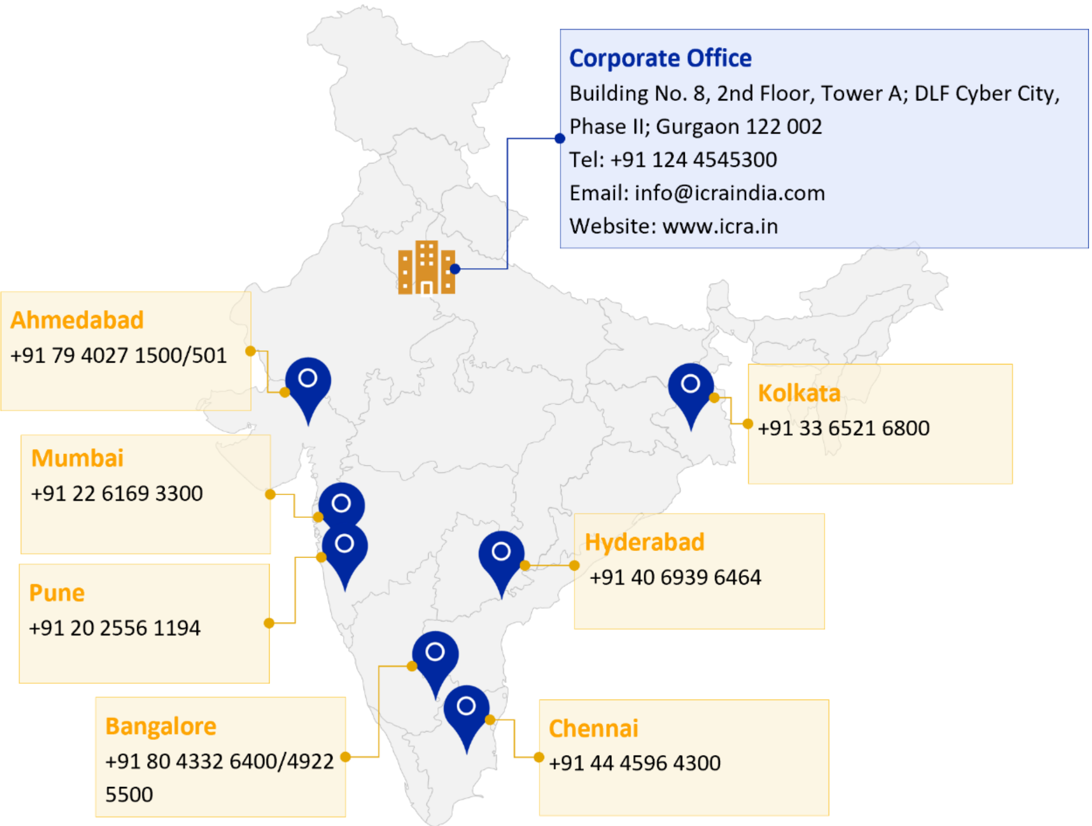

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